

Message Text

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ORIGIN EB-07

INFO OCT-01 IO-13 ISO-00 AF-08 ARA-06 EA-07 EUR-12 NEA-10

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06

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APPROVED BY: EB/OT:TA:GLSTREEB

STR:SLANDE

TREASURY: EBARBER (INFO)

AGRICULTURE: JHUDSON

STR: CYEUTTER

COMMERCE: FMONTGMOERY

LABOR:BWHITE

AGRICULTURE:DNELSON

EB/OT:GCP:CBLACK

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TO MTN GENEVA 2110/2111

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C O R R E C T E D COPY (LINE 4 PARA 3, AND LINE 1 PARA 11 DROPPED)

EO. 11652:N/A

TAGS: ETRD, MTN

SUBJECT: TARIFF GROUP MEETING JULY 7 - REVISIONS TO
POSITION PAPER

REFS: (A) MTN GENEVA 4303, (B) STATE 142885,

(C) MTN GENEVA 4599

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1. THE FOLLOWING ARE CHANGES TO REF (A) APPROVED BY
INTERAGENCY TARIFFS AND LDC GROUPS.

2. PARA. 3.A (2)

REPLACE CURRENT WITH FOLLOWING:

QUOTE IF EC OR OTHERS DO NOT TABLE DEFINITE TARIFF-CUTTING PROPOSAL, U.S. DEL SHOULD STRESS THAT TABLING OF PROPOSALS BY OTHER DELS IMPERATIVE AT NEXT MEETING. DEL MAY ALSO

WISH TO REVIEW BRIEFLY ADVANTAGES CITED PREVIOUSLY TO U.S. PROPOSAL. UNQUOTE.

3. PARA. 3.A. (NEW 3)

QUOTE IF AS EXPECTED THE EC OR OTHERS STATE THAT THE TARIFF REDUCTION FORMULA IS MEANT TO APPLY ONLY TO INDUSTRIAL GOODS AND THAT AGRICULTURAL TARIFFS WOULD BE HANDLED UNDER PROCEDURES DEVELOPED BY GROUP AGRICULTURE, U.S. DEL SHOULD NOTE THAT THERE IS NO INTRINSIC DIFFERENCE BETWEEN TARIFFS APPLIED TO AGRICULTURAL OR INDUSTRIAL GOODS AND THAT IT IS THE USG POSITION THAT THE AGREED FORMULA APPLIES TO ALL PRODUCTS AGRICULTURAL OR INDUSTRIAL. UNQUOTE.

4. PARA. 3.B. (2)

ADD FOLLOWING:

QUOTE WE ARE HOWEVER WILLING TO BEGIN A GENERAL EXPLORATION OF THE EXCEPTIONS PROCEDURE QUESTION EVEN THOUGH WE CANNOT BECOME MORE SPECIFIC UNTIL OUR DOMESTIC PROCEDURES ARE COMPLETED. UNQUOTE.

5. PARA. 3.B. (3)

CHANGE LAST LINE AND ADD FOLLOWING:

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QUOTE EXCEPTIONS BY DEEPER THAN FORMULA CUTS, A TARGETTED OVERALL DEPTH OF CUT, CONFRONTATION AND JUSTIFICATION, AND THE LIKE. THE DISCUSSION SHOULD BE AS BROAD BASED AS POSSIBLE WITH NO IMPLICATIONS OF A U.S. PREFERENCE FOR OR ENDORSEMENT OF ANY ONE OF THESE OPTIONS. UNQUOTE.

6. PARA. 3.C. LDC PROCEDURES

SUBSTITUTE THE FOLLOWING:

QUOTE U.S. SHOULD REEMPHASIZE BENEFITS TO ALL PARTICIPANTS OF MFN CUTS AND S&D MEASURES WHICH LIBERALIZE TRADE, E.G., GREATER-THAN-FORMULA CUTS,

ADVANCE STAGING AND EX-OUTS. U.S. COMMITMENT TO MINIMUM EXCEPTIONS SHOULD ALSO BE REPEATED ALONG WITH COMMITMENT TO PAY SPECIAL ATTENTION TO INTERESTS OF LDC'S WHEN PREPARING U.S. OFFERS. U.S. MAY INDICATE A WILLINGNESS TO COME TO AN AGREEMENT ON SPECIAL PROCEDURES THAT ARE TRADE LIBERALIZING FOR LDC'S IN CONNECTION WITH AGREEMENT ON TARIFF FORMULA, EXCEPTIONS AND STAGING PROCEDURES. IF U.S. DEL FEELS ADDITIONAL COMMITMENT BY U.S. ON S&D WOULD PROMOTE PROGRESS ON TARIFF WORK AND AVOID NORTH-SOUTH CONFRONTATION, DEL MAY SUGGEST THAT U.S. COULD AGREE TO NOTIFICATION FOR SLOWER STAGING OF MFN REDUCTIONS. U.S. IS NOT PREPARED TO CONSIDER THOSE S&D MEASURES WHICH WOULD RESULT IN THE MAINTENANCE OF THE PRESENT STATUS OF CERTAIN PRODUCTS AT THE END OF THESE NEGOTIATIONS. UNQUOTE.

7. PARA. 4.A. TARIFF REDUCTION FORMULA

DELETE CURRENT (2).

CHANGE (3) TO (2) AND ADD TO FIRST SENTENCE AS FOLLOWS:

QUOTE IN THE FACE OF CONSIDERABLE SUPPORT FOR A Y EQUALS X FORMULA, THE U.S. SHOULD NOTE ITS ACCEPTANCE OF THE PRINCIPLE OF HARMONIZATION WHEN COUPLED WITH SUBSTANTIAL REDUCTION OF DUTIES IN THE RANGE IN WHICH MOST DC LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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TRADE FLOWS, I.E., BELOW 15 PERCENT. UNQUOTE.

SECOND SENTENCE THEN BEGINS:

QUOTE U.S. SHOULD BE PREPARED UNQUOTE.

8. PARA. 4.A.(2)

INSERT AFTER (D).

QUOTE WASHINGTON AGENCIES LOOK TO MTN DEL FOR DEVELOPMENT OF DETAILED STATISTICAL ANALYSIS SUPPORTING THE U.S. CASE ON THESE POINTS. UNQUOTE.

9. PARA. 4.A. (NEW 3)

QUOTE THE EC MAY INSIST UPON PARALLEL PROGRESS IN NTM AREA AS CONDITION FOR PROGRESS ON A TARIFF PLAN. U.S. DEL SHOULD REMIND GROUP OF U.S. STATEMENT AT MARCH MEETING TO EFFECT THAT NTM'S SHOULD BE LIBERALIZED AND TARIFF-CUTTING EXERCISE NOT VIEWED IN ISOLATION FROM WORK ON NTM'S. WHILE U.S. THUS EXPECTS TO

EXAMINE THE NTM-TARIFFS LINKAGE PRIOR TO FINAL AGREEMENT
ON TARIFF REDUCTION, IT SEES NO REASON FOR THIS TO
DELAY AGREEMENT ON THE TARIFF REDUCTION PLAN PER SE.
UNQUOTE.

10. PARA. 4.B. (3)

INSERT THE FOLLOWING BETWEEN THE FIRST AND SECOND
SENTENCES:

QUOTE IN THIS REGARD THE U.S. SHOULD EMPHASIZE THAT

WHILE IT WILL BE PREPARED TO ADDRESS THE QUESTION, IT
CANNOT PROCEED ANY FURTHER UNTIL IT HAS GONE THROUGH
ITS DOMESTIC PROCEDURES. UNQUOTE.

11. PARA. 4.C. LDC PROCEDURES

41. PARA. 4.C. LDC PROCEDURES

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SUBSTITUTE THE FOLLOWING TO REPLACE THE ENTIRE ORIGINAL
SECTION:

QUOTE

(1) DISCUSSION -- THE U.S. BELIEVES THAT SPECIFIC
INTERESTS OF LDC'S CAN BEST BE CONSIDERED IN BILATERAL
NEGOTIATIONS WITH DC'S. OUR APPROACH TO MOVE NEGOTIATIONS
IN THIS DIRECTION WAS THE CROSS-NOTIFICATION PROCEDURE,
FIRST SUGGESTED BY THE U.S. AT THE OCTOBER 1975 MEETING.
AT THAT TIME, THE U.S. SUGGESTION WAS BROACHED AS A WAY
OF MAKING PROGRESS ON LDC PROCEDURES AND OF AVOIDING
POTENTIAL MILITANCY ON THEIR PART.

(2) WHILE THE CROSS-NOTIFICATION PROCEDURE HAS NOT BEEN
SUPPORTED BY EITHER LDC'S OR THE MAJOR DC'S, IT HELD
THE LINE UNTIL THE EC OFFERED ITS CHECKLIST APPROACH
IN THE MARCH 1976 MEETING. THE EC CHECKLIST MARKED
THE FIRST TIME A DC AGREED TO CONSIDER S&D MEASURES
BEFORE ACCEPTANCE OF A GENERAL FORMULA. IT WAS
UNACCEPTABLE TO THE U.S. IN THAT IT INDICATED
ENDORSEMENT OF S&D MEASURES DESIGNED TO LIMIT TRADE
LIBERALIZATION -- SPECIFICALLY, NO REDUCTIONS OR LESS
THAN FORMULA REDUCTIONS TO MAINTAIN GSP AND OTHER
PREFERENTIAL MARGINS. IT IS LIKELY LDC'S WILL CONTINUE
TO PRESS FOR CERTAIN OF THESE MEASURES PARTICULARLY
FOR MAINTENANCE OF MARGINS. BY CONTRAST, THE OVERALL
U.S. STRATEGY HAS BEEN TO STRESS TRADE LIBERALIZING
S&D MEASURES ON AN MFN BASIS.

(3) IN THE JULY MEETING, THE U.S. WILL HAVE TO FIND A COURSE THAT (1) DOES NOT LEAD TO A LDC WHIPSAW BETWEEN THE U.S. AND EC; (2) INDICATES SOME MOVEMENT TAKING LDC VIEWS INTO ACCOUNT WHILE NOT ERODING BASIC U.S. POSITION RE THE MFN TRADING SYSTEM AND (3) KEEPS S&D ORIENTED TOWARDS TRADE LIBERALIZATION. THE BEST APPROACH IS TO ADAPT THE 'CROSS-NOTIFICATION' PROCEDURE TO ACHIEVE THIS PURPOSE. SIMULTANEOUS WITH THE DEVELOPMENT OF THE TARIFF REDUCING PLAN, INCLUDING THE EXCEPTIONS PROCEDURES, THE GROUP MIGHT AGREE TO TRADE LIBERALIZING S&D MEASURES. THESE MEASURES COULD INCLUDE LIMITED OFFICIAL USE
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DEEPER THAN FORMULA CUTS ON AN MFN BASIS, FASTER STAGING, EX-OUTS, ETC. AS PART OF THE PACKAGE, EACH DC WOULD HAVE THE OPTION OF NOTIFYING CONCESSIONS THAT IT WISHED

LDC'S TO MAKE IN THE CONTEXT OF MFN TARIFF REDUCTIONS.

(4) WHILE WE WOULD AGREE ON S&D MEASURES TO BE IMPLEMENTED ON A CASE BY CASE BASIS WHICH ARE TRADE LIBERALIZING AS SET FORTH IN THE U.S. STATEMENT IN THE MARCH MEETING, WE ARE OPPOSED TO THOSE WHICH WOULD RESULT IN THE MAINTENANCE AT THE CONCLUSION OF THESE NEGOTIATIONS OF PREFERENTIAL TREATMENT FOR LDC'S BY LIMITING TRADE LIBERALIZATION. WE DO NOT BELIEVE SUCH MEASURES ARE IN THE BEST INTEREST OF LDC'S SINCE (A) MFN CUTS CAN LEAD TO GREATER EFFICIENCY OVER THE LONG-RUN, (B) ADVANTAGES OF MFN CUTS, WHICH WILL PROBABLY COVER MORE PRODUCTS AND ARE MORE SECURE (BOUND AND NOT SUBJECT TO 10-YEAR AND COMPETITIVE NEED LIMITATIONS) OUTWEIGH DISADVANTAGES OF REDUCTION IN MARGINS, AND (C) ADVANCED DEVELOPING COUNTRIES MAY LOOSE BENEFITS AS THEY MOVE TOWARD DC STATUS.

(5) AS A FALLBACK POSITION FOR THE JULY MEETING THE U.S. IS PREPARED TO AGREE TO CONSIDER DELAYED STAGING AS AN S&D MEASURE. THIS WOULD ONLY BE A TEMPORARY DEROGATION FROM THE LIBERALIZING MEASURES WE ARE ADVOCATING AS MFN REDUCTIONS WILL RESULT ONCE THE AGREEMENTS REACHED IN THE TOKYO ROUND ARE FULLY IMPLEMENTED. IN THIS REGARD WE PROPOSE THAT DISCUSSIONS OF THIS PARTICULAR MEASURE PROCEED CONCURRENTLY WITH THE DISCUSSION ON EXCEPTIONS AND STAGING.

(6) GIVEN DIVERSE AND CHANGING INTERESTS OF LDC'S AND DIFFERENCE IN COUNTRY COVERAGE, LIMITATIONS, ETC., IN THE GSP PROGRAMS OF DEVELOPED COUNTRIES, ONLY LDC'S INDIVIDUALLY ARE IN A POSITION TO DETERMINE WHICH MEASURE IS MOST BENEFICIAL FOR A GIVEN PRODUCT. THE CROSS-NOTIFICATION PROCEDURE PROPOSED BY THE U.S.

IS DESIGNED TO MEET THIS NEED. MOREOVER, THROUGH THE
CROSS-NOTIFICATION PROCEDURE, LDC'S WILL BE ABLE TO
IDENTIFY AND PLACE PRIORITIES UPON THOSE PRODUCTS
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WHERE THEY BELIEVE TARIFF ESCALATION IS A SIGNIFICANT
BARRIER TO INCREASES IN THEIR TRADE IN RAW MATERIALS
IN PROCESSED FORMS.

UNQUOTE. KISSINGER

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